

**COLO-NESCO  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2005

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**COLO-NESCO COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**BOARD OF EDUCATION**

(Before September, 2004 Election)

Paul Sparrow	President	2005
Greg Voga		2004
John Farrell		2006
Paul Mens		2006
Kim Nelson		2006
Dan Sowers		2004
Mark Johnson		2005

(After September, 2004 Election)

Greg Voga	President	2007
John Farrell		2006
Paul Sparrow		2005
Paul Mens		2006
Kim Nelson		2006
Dennis Vaughn		2007
Mark Johnson		2005

**SCHOOL OFFICIALS**

Gary Pillman	Superintendent
Corinne Olson	District Secretary/ Treasurer

## Independent Auditor's Report

To The Board of Education of the  
Colo-Nesco Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Colo-Nesco Community School District, McCallsburg, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Colo-Nesco Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2005 on our consideration of Greene Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Colo-Nesco Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report. The financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**BRUCE D. FRINK**  
**Certified Public Accountant**

September, 20, 2005

## **COLO-NESCO COMMUNITY SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Colo-Nesco Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2005 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,326,510 in fiscal year 2004 to \$4,538,191 in fiscal year 2005 which is a total increase of \$211,681 in revenues. The most significant increase was in State Aid in the amount of \$108,261 and Property Taxes in the amount of \$47,781.
- General Fund expenditures increased only \$163 from \$4,159,734 in fiscal year 2004 to \$4,159,897 in fiscal year 2005. this increase is really insignificant as salary, benefits, and health insurance costs have continued to rise but with attrition of staff this has kept the costs down. The General Fund balance has increased due to a reduction in discretionary expenditures.
- Even though the interest rates are still low, the interest earnings in the General Fund have increased from \$10,262 in fiscal 2004 to \$20,759 due to carrying a higher balance in the account.
- The total expenditures in the Local Option Sales/Service Tax in the 2004-05 fiscal year was \$465,343. The majority of the money was spent on the following infrastructure projects: MS Music Room remodeling, High School Baseball lighting, Architecture fees as we planned for the 04-05 infrastructure projects. Money was borrowed to pay for these projects as they were completed when the district was in a cash flow deficit due to the 2004-05 fiscal year revenues is allocated by the state on a monthly basis fund. The amount borrowed was \$100,000 with an interest expenditure of \$2,942.65. This amount was repaid in its entirety during the year.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: management's discussion and analysis (this section), the general purpose financial statements and required supplementary information.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1  
Colo-Nesco Community School District

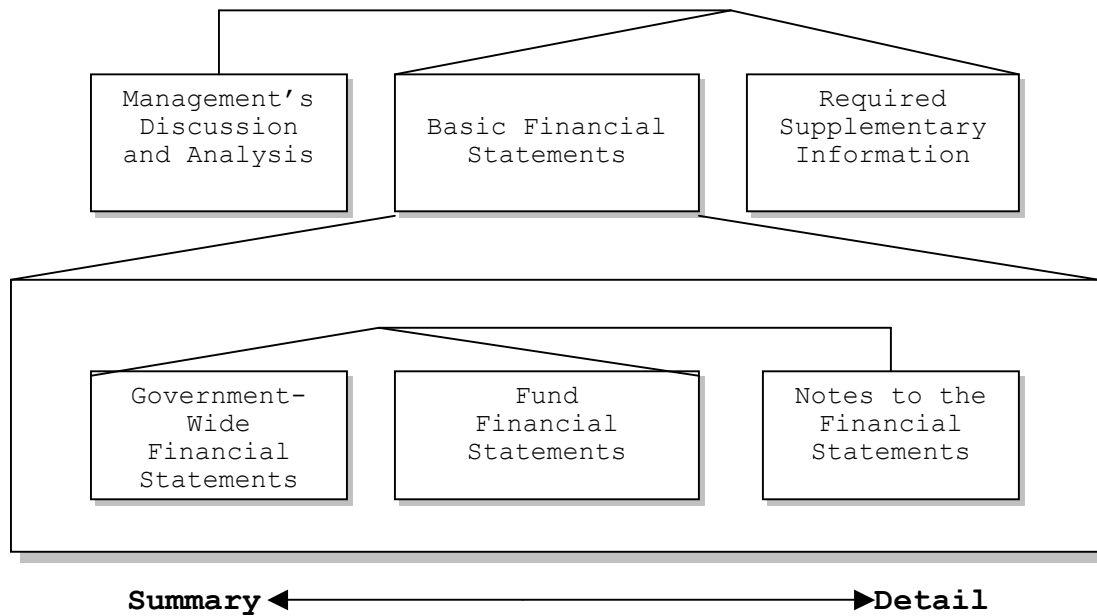


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain the remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2**

**Major Features of the Government-Wide and Fund Financial Statements**

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows	. Statement of fiduciary net assets . Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid, finance most of these activities.
- **Business-type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund. Most of the District's basic services are included here, such as regular education, special education, building and grounds maintenance, transportation, and administration. Most of these activities are funded with property taxes and state aid finance.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency Funds, monies held by the District for outside groups.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to June 30, 2004.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(expressed in thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total School District</b>		<b>Percentage Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2004-2005</b>
	\$	\$	\$	\$	\$	\$	
Current assets	3,825	5,417	15	16	3,840	5,433	-29.32%
Capital assets	2,803	2,542	2	2	2,805	2,544	10.26%
<b>Total assets</b>	<u>6,628</u>	<u>7,959</u>	<u>17</u>	<u>18</u>	<u>6,645</u>	<u>7,977</u>	<u>-16.70%</u>
Current liabilities	2,185	4,497	89	109	2,274	4,606	-50.63%
Non-current liabilities	-	17	-	-	-	17	-100.00%
<b>Total liabilities</b>	<u>2,185</u>	<u>4,514</u>	<u>89</u>	<u>109</u>	<u>2,274</u>	<u>4,623</u>	<u>-50.81%</u>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	2,803	2,525	2	2	2,805	2,527	11.00%
Restricted	664	528	-	-	664	528	25.76%
Unrestricted	976	392	(74)	(93)	902	299	201.67%
<b>Total net assets</b>	<u>4,443</u>	<u>3,445</u>	<u>(72)</u>	<u>(91)</u>	<u>4,371</u>	<u>3,354</u>	<u>30.32%</u>

Unrestricted net assets increase greatly due primarily to the increase in the General Fund. This was accomplished by staff attrition and reduction in discretionary spending. The Capital Projects Fund accounted for the increase in the restricted assets as funds from the collection of local option sales taxes are being saved for future infrastructure projects.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

**Figure A-4**  
**Change in Net Assets**  
**(expressed in thousands)**

	Governmental Activities	Business-type Activities	Total School District
	\$	\$	\$
Revenues:			
Program revenues:			
Charges for service and sales	181	333	514
Operating grants, contributions and restricted interest	874	73	947
General revenues:			
Property tax	1,769	-	1,769
Income surtax	265	-	265
Local option sales tax	573	-	573
Unrestricted state grants	1,892	-	1,892
Unrestricted investment earnings	21	-	21
Other	12	-	12
Total revenues	<u>5,587</u>	<u>406</u>	<u>5,993</u>
Program expenses:			
Governmental activities:			
Instruction	2,983	-	2,983
Support Services	1,242	-	1,242
Non-instructional programs	3	387	390
Other expenses	<u>362</u>	<u>-</u>	<u>362</u>
Total expenses	<u>4,590</u>	<u>387</u>	<u>4,977</u>
Change in net assets	<u>997</u>	<u>19</u>	<u>1,016</u>

Property tax and unrestricted state grants account for 61% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 85% of the total expenses.

## GOVERNMENTAL ACTIVITIES

Revenues for governmental activities were \$5,587,296 and expenses were \$4,590,044.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b>		
<b>Total and Net Cost of Governmental Activities</b>		
<b>(expressed in thousands)</b>		
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>\$</b>	<b>\$</b>
Instruction	2,983	2,101
Support Services	1,242	1,228
Non-instructional programs	3	3
Other expenses	<u>362</u>	<u>203</u>
Totals	<u><u>4,590</u></u>	<u><u>3,535</u></u>

- The cost financed by users of the District's programs was \$180,570.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$730,996.
- The net cost of governmental activities was financed with \$1,769,247 in property tax, \$1,892,279 in state foundation aid, and \$20,759 in interest income.

### Proprietary-type Funds

Revenues for the District's School Nutrition Fund were \$226,674 and expenses were \$224,250. The revenues include charges for services, contributions, and federal and state reimbursements. The fund balance increased by over \$2,000 during the year.

The District's Child Care Fund increased by over \$16,000. Increased revenues while being able to monitor labor costs accounted for the positive result. This fund reduced its deficit by over 35% in the past two years.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Colo-Nesco Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$4,443,035, which is greater than last year's ending fund balance of \$3,445,783. The largest portion of this increase was in the General Fund.

### Governmental Fund Highlights

Several factors contributed to the small increase of the fund balance in the District's governmental funds. Some of these factors were unexpected; some were deliberately planned.

- The District generates over \$250,000 in instructional support levy revenues. These monies are being used to strengthen the General Fund balance, as well as, preserving and expanding educational opportunities.
- Increased spending was almost entirely attributable to instruction and support service programs. Administration costs increased by one percent only.
- Increases in salaries were offset by not replacing retirees and reducing discretionary spending.

## **Proprietary Fund Highlights**

School Nutrition Fund net assets increased by over \$2,000 in Fiscal 2005. Child Care Fund net assets increased primarily due to increased revenue as usage of the facility continues to grow.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

It is the District's practice, as is in most Iowa school district, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year.

Actual revenues were \$240,000 greater than budgeted, primarily due to increased state and federal funding.

## **CAPITAL ASSETS**

The District has invested more than \$6 million by the end of fiscal year 2005 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. The District made improvements and updated equipment at all three facilities during the year. Total depreciation expenses for the year exceeded \$140,000.

## **Long Term Debt**

The District had no outstanding debt as of June 30, 2005.

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The SILO tax was passed in September 2002 and money began to be received by the District in September 2003 and the district continues to receive this money.
- The Instructional Support Levy was passed in 2001 and money began to be received by the District in the 2003-04 school year and the district continues to receive this money.
- The District has experienced declining enrollment the past several years and this has forced and continues to force us to reduce our work force.
- For the 2003-04 school year the state cut the District's budget by 2.5%. This was an across the board cut, effecting Phase I & II and Teacher Compensation as well as other areas. This forced the District to make cuts. Future state aid cuts have also been discussed. Cuts made during the fiscal year negatively impact the District's balances as adequate expense reductions are not possible.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired). A solution need to be found.
- Health insurance continues to be a very costly item to the District. Our single health insurance has increased 376% over the past ten (10) years. Even though concessions have been by employees in regard to deductibles, and coinsurance, other solutions need to be found. The skyrocketing cost of health care and the insurance to cover the cost will soon be unattainable by many.

- Once again unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and GASB 34", to name a few.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gary Pillman, Superintendent, Colo-Nesco Community School District, 400 Latrobe Avenue, McCallsburg, IA 50154.

## Basic Financial Statements

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	1,682,045	5,704	1,687,749
Receivables:			
Property tax:			
Current year	28,034	-	28,034
Succeeding year	1,721,451	-	1,721,451
Income surtax - succeeding year	205,100	-	205,100
Interfund receivable	58,208	-	58,208
Due from other governments	130,235	-	130,235
Other receivables	-	5,544	5,544
ISCAP accrued interest receivable	207	-	207
Inventories	-	3,506	3,506
Capital assets, net of accumulated depreciation	2,802,777	1,958	2,804,735
<b>Total assets</b>	<u>6,628,057</u>	<u>16,712</u>	<u>6,644,769</u>
<b>Liabilities</b>			
Accounts payable	113,603	844	114,447
Salaries and benefits payable	349,968	29,355	379,323
Interfund payables	-	58,208	58,208
Deferred revenue:			
Succeeding year property tax	1,721,451	-	1,721,451
<b>Total liabilities</b>	<u>2,185,022</u>	<u>88,407</u>	<u>2,273,429</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,802,777	1,958	2,804,735
Restricted for:			
Management levy	396,011	-	396,011
Student activities	58,029	-	58,029
Physical plant and equipment levy	64,726	-	64,726
Capital projects	145,475	-	145,475
Unrestricted	976,017	(73,653)	902,364
<b>Total net assets</b>	<u>4,443,035</u>	<u>(71,695)</u>	<u>4,371,340</u>

See notes to financial statements.

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
	\$	\$	\$	\$	\$	\$
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	1,913,401	147,022	388,190	(1,378,189)	-	(1,378,189)
Special instruction	657,383	33,548	178,809	(445,026)	-	(445,026)
Other instruction	411,728	-	133,694	(278,034)	-	(278,034)
	<u>2,982,512</u>	<u>180,570</u>	<u>700,693</u>	<u>(2,101,249)</u>	<u>-</u>	<u>(2,101,249)</u>
Support services:						
Student services	20,691	-	2,480	(18,211)	-	(18,211)
Instructional staff services	77,960	-	-	(77,960)	-	(77,960)
Administration services	557,150	-	-	(557,150)	-	(557,150)
Operation and maintenance of plant services	374,492	-	9,370	(365,122)	-	(365,122)
Transportation services	211,734	-	2,470	(209,264)	-	(209,264)
	<u>1,242,027</u>	<u>-</u>	<u>14,320</u>	<u>(1,227,707)</u>	<u>-</u>	<u>(1,227,707)</u>
Non-instructional programs:						
Community service & education	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>(3,000)</u>	<u>-</u>	<u>(3,000)</u>
Other expenditures:						
AEA flowthrough	158,117	-	158,117	-	-	-
Long-term debt interest	772	-	-	(772)	-	(772)
Facilities acquisition and construction	59,534	-	1,095	(58,439)	-	(58,439)
Depreciation (unallocated)*	144,082	-	-	(144,082)	-	(144,082)
	<u>362,505</u>	<u>-</u>	<u>159,212</u>	<u>(203,293)</u>	<u>-</u>	<u>(203,293)</u>
Total governmental activities	4,590,044	180,570	874,225	(3,535,249)	-	(3,535,249)

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

	Program Revenues					
		Charges for	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Expenses		Service				
\$		\$	\$	\$	\$	\$
Business-Type activities:						
Non-instructional programs:						
Proprietary funds	387,243	332,847	73,221	-	18,825	18,825
Total	<u>4,977,287</u>	<u>513,417</u>	<u>947,446</u>	<u>(3,535,249)</u>	<u>18,825</u>	<u>(3,516,424)</u>
General revenues:						
Property tax levied for:						
General purposes				1,638,928	-	1,638,928
Management				84,832	-	84,832
Capital outlay				45,487	-	45,487
Income surtax				264,787	-	264,787
Local option sales tax				573,474	-	573,474
Unrestricted state grants				1,892,279	-	1,892,279
Unrestricted investment earnings				20,759	-	20,759
Other				11,955	-	11,955
Total general revenue				<u>4,532,501</u>	<u>-</u>	<u>4,532,501</u>
Change in net assets				997,252	18,825	1,016,077
Net assets beginning of year				<u>3,445,783</u>	<u>(90,520)</u>	<u>3,355,263</u>
Net assets end of year				<u>4,443,035</u>	<u>(71,695)</u>	<u>4,371,340</u>

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

## Balance Sheet

## Governmental Funds

June 30, 2005

	General	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	1,082,154	58,309	541,582	1,682,045
Receivables:				
Property tax:				
Current year	25,950	-	2,084	28,034
Succeeding year	1,553,288	-	168,163	1,721,451
Income surtax - succeeding year	205,100	-	-	205,100
Interfund receivable	58,208	-	-	58,208
Due from other governments	43,069	87,166	-	130,235
ISCAP accrued interest receivable	207	-	-	207
<b>Total assets</b>	<u>2,967,976</u>	<u>145,475</u>	<u>711,829</u>	<u>3,825,280</u>
<b>Liabilities and Fund Balance</b>				
Liabilities:				
Accounts payable	88,703	-	24,900	113,603
Salaries and benefits payable	349,968	-	-	349,968
Deferred revenue:				
Succeeding year property tax	1,553,288	-	168,163	1,721,451
Succeeding year income surtax	205,100	-	-	205,100
Total liabilities	<u>2,197,059</u>	<u>-</u>	<u>193,063</u>	<u>2,390,122</u>
Fund balances:				
Reserved for capital projects	-	145,475	-	145,475
Unreserved	770,917	-	518,766	1,289,683
Total fund balance	<u>770,917</u>	<u>145,475</u>	<u>518,766</u>	<u>1,435,158</u>
<b>Total liabilities and fund balances</b>	<u>2,967,976</u>	<u>145,475</u>	<u>711,829</u>	<u>3,825,280</u>

See notes to financial statements.

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2005

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 1,435,158
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Income surtax receivable at June 30, 2005 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	205,100
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	<u>2,802,777</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>\$ 4,443,035</u></u>

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Fund Types

Year ended June 30, 2005

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources					
Local tax	1,698,615	573,474	-	130,319	2,402,408
Tuition	180,570	-	-	-	180,570
Other	35,600	1,095	-	139,037	175,732
State sources	2,443,338	-	-	80	2,443,418
Federal sources	179,857	-	-	-	179,857
Total revenues	<u>4,537,980</u>	<u>574,569</u>	<u>-</u>	<u>269,436</u>	<u>5,381,985</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,872,798	-	-	40,603	1,913,401
Special instruction	657,383	-	-	-	657,383
Other instruction	271,610	-	-	140,118	411,728
	<u>2,801,791</u>	<u>-</u>	<u>-</u>	<u>180,721</u>	<u>2,982,512</u>
Support services:					
Student services	20,641	-	-	50	20,691
Instructional staff services	77,910	-	-	50	77,960
Administration services	512,747	2,943	-	41,460	557,150
Operation and maintenance of plant services	373,957	-	-	535	374,492
Transportation services	211,734	-	-	-	211,734
	<u>1,196,989</u>	<u>2,943</u>	<u>-</u>	<u>42,095</u>	<u>1,242,027</u>
Non-instructional programs:					
Community service & education	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Other expenditures:					
AEA flowthrough	158,117	-	-	-	158,117
Long-term debt:					
Principal	-	-	17,211	-	17,211
Interest	-	-	772	-	772
Facilities acquisition and construction	<u>-</u>	<u>462,400</u>	<u>-</u>	<u>1,947</u>	<u>464,347</u>
	<u>158,117</u>	<u>462,400</u>	<u>17,983</u>	<u>1,947</u>	<u>640,447</u>
Total expenditures	<u>4,159,897</u>	<u>465,343</u>	<u>17,983</u>	<u>224,763</u>	<u>4,867,986</u>

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2005

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Excess (deficiency) of revenues over over (under) expenditures	<u>378,083</u>	<u>109,226</u>	<u>(17,983)</u>	<u>44,673</u>	<u>513,999</u>
Other financing sources (uses):					
Sale of materials and equipment	211	-	-	-	211
Operating transfers in	-	-	17,983	-	17,983
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,983)</u>	<u>(17,983)</u>
	<u>211</u>	<u>-</u>	<u>17,983</u>	<u>(17,983)</u>	<u>211</u>
Net change in fund balances	378,294	109,226	-	26,690	514,210
Fund balances beginning of year	<u>392,623</u>	<u>36,249</u>	<u>-</u>	<u>492,076</u>	<u>920,948</u>
Fund balances end of year	<u><u>770,917</u></u>	<u><u>145,475</u></u>	<u><u>-</u></u>	<u><u>518,766</u></u>	<u><u>1,435,158</u></u>

See notes to financial statements.

**COLO-NESCO COMMUNITY SCHOOL DISTRICT**

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2005

**Net change in fund balances - total governmental funds (Exhibit E)** \$ 514,210

**Amounts reported for governmental activities in the  
statement of activities are different because:**

Income surtax receivable at June 30, 2005 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities. 205,100

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	404,813	
Depreciation expense	<u>(144,082)</u>	260,731

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Bus note payable		<u>17,211</u>
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**Change in net assets of governmental activities (Exhibit B)** \$ 997,252

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

## Combining Statement of Net Assets

## Proprietary Funds

June 30, 2005

	School Nutrition	Child Care	Total
	\$	\$	
<b>Assets</b>			
Cash and pooled investments	5,704	-	5,704
Other receivables	117	5,427	5,544
Inventories	3,506	-	3,506
Capital assets, net of accumulated depreciation	1,958	-	1,958
<b>Total assets</b>	<u>11,285</u>	<u>5,427</u>	<u>16,712</u>
<b>Liabilities</b>			
Accounts payable	301	543	844
Accrued salary and benefits	17,218	12,137	29,355
Interfund payable	-	58,208	58,208
<b>Total liabilities</b>	<u>17,519</u>	<u>70,888</u>	<u>88,407</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,958	-	1,958
Unrestricted	<u>(8,192)</u>	<u>(65,461)</u>	<u>(73,653)</u>
<b>Total net assets</b>	<u>(6,234)</u>	<u>(65,461)</u>	<u>(71,695)</u>

See notes to financial statements.

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

## Combining Statement of Revenues, Expenses and Changes in Net Assets

## Proprietary Funds

Year ended June 30, 2005

	School Nutrition	Child Care	Total
	\$		
Operating revenue:			
Local sources:			
Charges for services	153,453	179,394	332,847
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	82,122	-	82,122
Benefits	28,995	-	28,995
Services	1,059	-	1,059
Supplies	111,585	-	111,585
Depreciation	489	-	489
	224,250	-	224,250
Other enterprise operations:			
Salaries	-	133,212	133,212
Benefits	-	22,218	22,218
Services	-	1,492	1,492
Supplies	-	6,056	6,056
Other	-	15	15
	-	162,993	162,993
Total operating expenses	224,250	162,993	387,243
Operating profit (loss)	(70,797)	16,401	(54,396)
Non-operating revenues:			
State sources	2,728	-	2,728
Federal sources	70,493	-	70,493
	73,221	-	73,221
Change in net assets	2,424	16,401	18,825
Net assets beginning of year	(8,658)	(81,862)	(90,520)
Net assets end of year	(6,234)	(65,461)	(71,695)

See notes to financial statements.

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

## Combining Statement of Cash Flows

## Proprietary Fund

Year ended June 30, 2005

	School Nutrition	Community Education	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of services	153,336	185,178	338,514
Cash payments to employees for services	(109,854)	(154,962)	(264,816)
Cash payments to suppliers for goods or services	(101,358)	(7,674)	(109,032)
Net cash provided by (used in) operating activities	(57,876)	22,542	(35,334)
Cash flows from non-capital financing activities:			
State grants received	2,728	-	2,728
Federal grants received	58,461	-	58,461
Net cash provided by non-capital financing activities	61,189	-	61,189
Net increase (decrease) in cash and cash equivalents	3,313	22,542	25,855
Cash and cash equivalents beginning of year	2,391	(80,750)	(78,359)
Cash and cash equivalents end of year	5,704	(58,208)	(52,504)
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>			
Operating income (loss)	(70,797)	16,401	(54,396)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:			
Depreciation	489	-	489
Commodities used	12,032	-	12,032
(Increase) in other receivables	(117)	5,784	5,667
Decrease in inventory	(997)	-	(997)
Increase (decrease) in accounts payable	251	(111)	140
Increase (decrease) in accrued payroll and benefits	1,263	468	1,731
	(57,876)	22,542	(35,334)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>			
Current assets:			
Cash	5,704	(58,208)	(52,504)

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2005, the District received federal commodities valued at \$12,032.

See notes to financial statements.

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

## Statement of Fiduciary Net Assets

## Fiduciary Funds

June 30, 2005

	Agency Funds
	<hr/>
	\$
<b>Assets</b>	
Cash	<hr/>
	4,896
<b>Total assets</b>	<hr/>
	4,896
<b>Liabilities:</b>	
Other payables	<hr/>
	4,896
<b>Total liabilities</b>	<hr/>
	4,896

See notes to financial statements.

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2005

#### (1) Summary of Significant Accounting Policies

The Colo-Nesco Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Colo, McCallsburg and Zearing, Iowa, and agricultural area in Story, Marshall and Hardin Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Colo-Nesco Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Colo-Nesco Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Story County Assessor Conference Board.

##### B. Basis of Presentation

Government-wide financial statements - The Statements of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition and Child Care Funds. These funds are used to account for the food service and child care operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. the District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for other groups. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of its operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa and grants from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2005.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures in the Non-Instructional Programs and Other Expenditures functions exceeded the amounts budgeted.

### (2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2005.

### (3) **Capital Assets**

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	34,857	-	-	34,857
Capital assets being depreciated:				
Land improvements	371,425	-	-	371,425
Buildings	2,654,806	309,104	-	2,963,910
Furniture and Equipment	2,707,444	95,709	5,731	2,797,422
Total capital assets being depreciated	5,733,675	404,813	5,731	6,132,757
Less accumulated depreciation for:				
Land improvements	117,355	2,264	-	119,619
Buildings	1,520,884	51,397	-	1,572,281
Furniture and Equipment	1,588,247	90,421	5,731	1,672,937
Total accumulated depreciation	3,226,486	144,082	5,731	3,364,837
Total capital assets being depreciated, net	2,507,189	260,731	-	2,767,920
Governmental activities, capital assets, net	2,542,046	260,731	-	2,802,777

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	5,875	0	-	5,875
Less accumulated depreciation	<u>3,427</u>	<u>490</u>	<u>-</u>	<u>3,917</u>
Business type activities capital assets, net	<u>2,448</u>	<u>(490)</u>	<u>-</u>	<u>1,958</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated

144,082

Business Type activities:

Food service operations

490

#### (4) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2005 is as follows:

	<u>Bus Note Payable</u>
Balance beginning of year	\$17,211
Additions	-
Reductions	<u>17,211</u>
Balance end of year	<u>\$ -</u>

#### (5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$147,270, \$144,357, and \$145,657 respectively, equal to the required contributions for each year.

#### (6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$158,117 for year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(7) Bus Note Payable**

In the fiscal year ending June 30, 2003, the District purchased a bus for \$51,635. The terms were one third down and two annual payments of \$18,011 each. The note was paid in full during fiscal year 2005.

**(8) Financial Condition**

The District's Enterprise Fund - School Nutrition had a net assets deficit of \$8,192 at June 30, 2005. The District's Enterprise Fund - Child Care had a net assets deficit of \$65,461 at June 30, 2005.

**(9) Commitments**

The District has a five year commitment to borrow up to \$450,000 using capital loan notes secured by sales tax and Physical Plant and Equipment revenues. There was no balance outstanding on this loan at June 30, 2005.

**(10) Risk Management**

Colo-Nesco Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Due From and Due to Other Funds**

The detail of Interfund receivables/payable as of June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise: Child Care	<u>\$58,208</u>

This is to cover a cash deficit in a joint checking account.

## Required Supplementary Information

**COLO-NESCO COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual
	Actual	Actual	Actual	Original	Final	Variance -
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,758,710	332,847	3,091,557	3,005,250	3,005,250	86,307
State sources	2,443,418	2,728	2,446,146	2,347,792	2,347,792	98,354
Federal sources	179,857	70,493	250,350	193,018	193,018	57,332
Total revenues	5,381,985	406,068	5,788,053	5,546,060	5,546,060	241,993
Expenditures:						
Instruction	2,982,512	-	2,982,512	3,066,773	3,066,773	84,261
Support services	1,242,027	-	1,242,027	1,535,539	1,535,539	293,512
Non-instructional programs	3,000	387,243	390,243	375,967	375,967	(14,276)
Other expenditures	640,447	-	640,447	601,328	601,328	(39,119)
Total expenditures	4,867,986	387,243	5,255,229	5,579,607	5,579,607	324,378
Excess (deficiency) of revenues over (under) expenditures	513,999	18,825	532,824	(33,547)	(33,547)	566,371
Other financing sources (uses)	211	-	211	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	514,210	18,825	533,035	(33,547)	(33,547)	566,371
Balance beginning of year	920,948	(90,520)	830,428	791,469	791,469	38,959
Balance end of year	1,435,158	(71,695)	1,363,463	757,922	757,922	605,330

See accompanying independent auditor's report.

**COLO-NESCO COMMUNITY SCHOOL DISTRICT**

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2005, expenditures in the non-instructional and other expenditures functions exceeded the amounts budgeted. The District did not exceed the General Fund unspent authorized budget.

## Other Supplementary Information

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

## Combining Balance Sheet

## Nonmajor Special Revenue Funds

June 30, 2005

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	419,269	58,029	64,284	541,582
Property tax receivable:				
Current year	1,357	-	727	2,084
Succeeding year	<u>120,402</u>	<u>-</u>	<u>47,761</u>	<u>168,163</u>
<b>Total assets</b>	<u>541,028</u>	<u>58,029</u>	<u>112,772</u>	<u>711,829</u>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	24,615	-	285	24,900
Deferred revenue:				
Succeeding year property tax	<u>120,402</u>	<u>-</u>	<u>47,761</u>	<u>168,163</u>
	145,017	-	48,046	193,063
Fund equity:				
Unreserved fund balance	<u>396,011</u>	<u>58,029</u>	<u>64,726</u>	<u>518,766</u>
<b>Total liabilities and fund equity</b>	<u>541,028</u>	<u>58,029</u>	<u>112,772</u>	<u>711,829</u>

See accompanying independent auditor's report.

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances

## Nonmajor Special Revenue Funds

Year ended June 30, 2005

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	84,832	-	45,487	130,319
Other	8,050	129,747	1,240	139,037
State sources	52	-	28	80
Total revenues	92,934	129,747	46,755	269,436
Expenditures:				
Instruction:				
Regular instruction	40,603	-	-	40,603
Co-curricular instruction	-	140,118	-	140,118
Support services:				
Student support	50	-	-	50
Instructional support	50	-	-	50
Administration services	41,460	-	-	41,460
Plant operation and maintenance	535	-	-	535
Other expenditures:				
Facility acquisition and construction services	-	-	1,947	1,947
Total expenditures	82,698	140,118	1,947	224,763
Excess (deficiency) of revenues over (under) expenditures	10,236	(10,371)	44,808	44,673
Other financing (uses):				
Operating transfers (out)	-	-	(17,983)	(17,983)
Net change in fund balance	10,236	(10,371)	26,825	26,690
Fund balances beginning of year	385,775	68,400	37,901	492,076
Balance end of year	396,011	58,029	64,726	518,766

See notes to financial statements.

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
All Athletics	9,191	5,772	4,661	10,302
Basketball	18,148	22,684	18,319	22,513
Track	-	2,691	2,456	235
Cross Country	-	-	829	(829)
Golf	-	395	828	(433)
Football	7,034	7,688	12,008	2,714
Soccer	32	3,439	4,178	(707)
Baseball	(694)	4,431	4,233	(496)
Wrestling	729	313	42	1,000
Volleyball	3,345	3,978	1,911	5,412
Softball	(156)	3,070	4,654	(1,740)
Drama	3,409	1,598	221	4,786
Musical	1,041	-	85	956
Vocal/Instrumental	230	8,505	8,969	(234)
Band Uniforms	(100)	-	6	(106)
HS Student Pictures	1,240	281	-	1,521
Student Council	5,422	2,123	3,338	4,207
C-N FFA	4,145	13,925	14,124	3,946
Yearbook	(8,381)	900	4,382	(11,863)
Cheerleading	1,675	2,607	3,600	682
Band Resale	(2,105)	-	32	(2,137)
Spanish Club	4,938	1,444	968	5,414
Art Club	994	1,427	781	1,640
Anglo-Norman Club	74	-	-	74
C-N Drill Team	(1,334)	25	349	(1,658)
Class of 2002	125	-	-	125
Class of 2003	9	-	-	9
Class of 2004	818	-	130	688
Class of 2005	2,764	-	1,749	1,015
Class of 2006	350	9,520	8,900	970
Class of 2007	315	-	-	315
MS Student Pictures	7	318	165	160
MS Student Activities	(2,036)	17,834	17,958	(2,160)
MS Mall of America	396	-	329	67
MS Band Resale	(124)	-	654	(778)
MS Music Fund	5,817	9,283	12,741	2,359
Colo Publication	228	-	258	(30)
Elementary Student Pictures	1,500	1,245	1,191	1,554
Burg Publication	210	-	-	210
Elementary Student Activities	62	2,322	2,733	(349)
Malls 4 Schools	4,699	195	2,335	2,559
Interest	4,383	1,734	-	6,117
Totals	<u>68,400</u>	<u>129,747</u>	<u>140,118</u>	<u>58,029</u>

See notes to financial statements.

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

## Statement of Changes in Assets and Liabilities

## Agency Funds

Year ended June 30, 2005

	Benevolence	Trees Forever	King Music Memorial	MS Library Fund	Playground	Nancy Dole Memorial Fund	Preschool Child Care	Memorial Fund	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance beginning of year	<u>771</u>	<u>148</u>	<u>436</u>	<u>1</u>	<u>1,413</u>	<u>1</u>	<u>480</u>	<u>18</u>	<u>3,268</u>
Additions:									
Contributions	<u>224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>667</u>	<u>1,591</u>	<u>-</u>	<u>2,482</u>
Deductions:									
Miscellaneous	<u>471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71</u>	<u>-</u>	<u>312</u>	<u>-</u>	<u>854</u>
Balance end of year	<u><u>524</u></u>	<u><u>148</u></u>	<u><u>436</u></u>	<u><u>1</u></u>	<u><u>1,342</u></u>	<u><u>668</u></u>	<u><u>1,759</u></u>	<u><u>18</u></u>	<u><u>4,896</u></u>

See accompanying independent auditor's report.

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

## Schedule of Tax Revenues

## All Funds

## For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2003	2002
	\$	\$	\$	\$
Local sources:				
General	1,698,615	1,792,277	1,771,496	1,607,699
Special revenue	130,319	130,839	140,308	140,040
Capital projects	573,474	416,128	-	-
	<u>2,402,408</u>	<u>2,339,244</u>	<u>1,911,804</u>	<u>1,747,739</u>
State sources:				
General	2,443,338	2,182,239	2,242,538	2,177,654
Special revenue	80	85	89	1,626
Enterprise	2,728	2,703	31,225	43,829
	<u>2,446,146</u>	<u>2,185,027</u>	<u>2,273,852</u>	<u>2,223,109</u>
Federal sources:				
General	179,857	158,876	148,015	92,112
Enterprise	70,493	65,417	66,078	68,437
	<u>250,350</u>	<u>224,293</u>	<u>214,093</u>	<u>160,549</u>
Total	<u>5,098,904</u>	<u>4,748,564</u>	<u>4,399,749</u>	<u>4,131,397</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

To the Board of Education of the  
Colo-Nesco Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Colo-Nesco Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 20, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Colo-Nesco Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 05-I-A is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Laurens-Marathon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Colo-Nesco Community School District and other parties to whom Colo-Nesco Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Colo-Nesco Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

**BRUCE D. FRINK**  
**Certified Public Accountant**

September 20, 2005

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

**Part I: Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

05-I-A      SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

**Part II: Other Findings Related to Required Statutory Reporting:**

05-II-A      Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

05-II-B      Certified Budget - Expenditures for the year ended June 30, 2005, exceeded the amended certified budget amounts in the non-instructional programs and other expenditures functions.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

05-II-C      Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

05-II-D      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

**Part II: Other Findings Related to Required Statutory Reporting:**  
**(continued) :**

- 05-II-E      Business Transactions - No business transactions between the District and District officials or employees were noted.
- 05-II-F      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 05-II-G      Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 05-II-H      Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 05-II-I      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 05-II-J      Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- 05-II-K      Financial Condition - At June 30, 2005, the District's Student Activity Account had several deficit accounts, the School Nutrition Fund had net assets deficit of \$6,234 and the Child Care Fund had a net assets deficit of \$65,461. Substantial progress was noted during the past fiscal year.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits in order to return the District to a sound financial condition. Significant progress was noted in both funds during the current fiscal year.

Response - We will continue to monitor these accounts.

Conclusion - Response accepted.